

21. HEALTH

Table 21-1. Federal Resources in Support of Health

(In millions of dollars)

Function 550	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	30,209	33,803	34,951	34,765	35,247	36,058	36,833
Mandatory Outlays:							
Existing law	114,139	123,265	132,310	143,204	155,051	167,539	181,349
Proposed legislation			1,119	2,756	5,275	8,104	9,847
Credit Activity:							
Direct loan disbursements				N/A	N/A	N/A	N/A
Guaranteed loans		100	51	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	82,880	89,290	95,150	101,690	107,365	114,180	122,015
Proposed legislation			128	1,333	2,809	3,909	4,681

N/A = Not available.

In 2001, the Federal Government will spend about \$167 billion and allocate about \$95 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. The results of these Federal activities include significant improvements in the health of Americans as evidenced by recent 1997 statistics that indicate that since 1980, life expectancy has risen steadily from 73.7 years to 76.5 years of age and the infant mortality rate decreased from 12.6 deaths per 1,000 births to 7.2 deaths per 1,000 births. Furthermore, Federal programs made significant strides in preventing and eliminating infectious diseases, such as reducing Hepatitis B infection from 8.5 per 100,000 people in 1990 to 3.8 cases per 100,000 people in 1998, as well as in improving treatment and quality of care, and improving the quality of life for individuals suffering from chronic diseases and disability. The Department of Health and Human Services (HHS) is the Federal Government's lead agency for health.

Health Care Services and Financing

Of the estimated \$167 billion in Federal health care outlays in 2001, 87 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1999. States that participate in Medicaid must cover several categories of eligible people as well as several mandated services. The Federal Government spent \$108 billion, 57 percent of the total, on the program in 1999 while States spent \$81 billion, or 43 percent. Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1997, but accounted for almost two-thirds of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the nation's

long-term care services. Medicaid spends more on institutional care today than it does for home care, but the mix of payments is expected to be almost equal in 10 years.

Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA has worked with State Medicaid agencies to develop and test national performance goals for Medicaid. These efforts will continue in 2001. With respect to the goal of increasing immunization rates among needy children, HCFA will continue to collaborate with states to develop individualized state immunization goals. The first group of 16 states began determining their baselines in 1999, and will complete them and set performance targets in 2000. All States will have established their baselines and targets by 2002. HCFA's goal complements the Centers for Disease Control and Prevention's (CDC's) broader 2001 goal of helping States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.

State Children's Health Insurance Program: More than 11 million American children lack health insurance. To decrease the number of uninsured children, the State Children's Health Insurance Program (SCHIP) was established in 1997 in the Balanced Budget Act to provide \$24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. SCHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards.

Each State's SCHIP plan describes the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. HCFA has been working with the States to develop baselines and targets for the SCHIP/Medicaid goal of decreasing the number of uninsured children by enrolling children in SCHIP and Medicaid. At the end of 1999, two million children were enrolled in SCHIP.

- In 2001, HCFA's goal is to increase the number of children who are enrolled in regular Medicaid or SCHIP by one million over the previous year.

Other Health Care Services: HHS administers a number of other programs in addition to Medicare and Medicaid, each with its own performance goals, to support health services for low-income or specific populations. Selected health-related performance achievements and 2001 goals are highlighted below.

- **Indian Health Services (IHS):** IHS is committed to addressing the major health problems afflicting Native American Indian and Alaska Native people and has targeted diabetes because of the high prevalence of this disease in this population. The percent of diabetics who met the clinically defined criterion of "good glycemic control (i.e., blood sugar control)" increased from 29 percent in 1996 to 35 percent in 1998. In 2001, IHS will demonstrate a continued trend in improved glycemic control in the proportion of Native American clients with diagnosed diabetes.
- **Substance Abuse and Mental Health Services Administration (SAMHSA):** The percent of youths age 12 to 17 who reported current use of illicit drugs decreased from 11.4 percent in 1997 to 9.9 percent in 1998. In 2001, SAMHSA will aim to cut monthly marijuana use in this population by 25 percent, from the 1998 baseline of 8.3 percent to 6.2 percent by the end of 2002.
- **Services for the Mentally Ill:** The Surgeon General's 1999 report on mental health states that one in five Americans is living with a mental health disorder. Increased mental health services funded in SAMHSA will advance the goal of increasing the percent of adults with serious mental illness who are employed, are living independently, and have had no contact with the criminal justice system.
- **Access to Health Insurance:** Increased funding for the Health Care Access for the Uninsured (HCAFU) initiative will develop networks and coordinate services to increase the number of uninsured people receiving primary care, mental health, substance abuse, and other health services and expand the number of services supported.

- *Health Resources and Services Administration (HRSA)*: Funds provided throughout the 1990s enabled the network of 4,600 family planning clinics to serve roughly 4.4 million clients each year. Through reproductive health care and counseling, these clinics helped achieve the lowest teenage pregnancy rate since recording began in 1976. The budget establishes the goal of serving 500,000 additional clients.

Youth Smoking Cut in Half: HHS will continue its efforts to reduce underage smoking. The Administration will take steps to cut youth smoking by 50 percent compared with 1999 levels. These steps will include a combination of excise tax increases and a youth smoking assessment, as well as conducting education campaigns, funding and technical assistance to state programs, and cooperation with nongovernmental entities.

Consumer Product Safety Commission (CPSC): Each year, there are an estimated 650,000 product-related head injuries to children under 15 years old. As a part of CPSC's effort to reduce head injuries by 15 percent by 2006, this independent agency recalled or took corrective actions on 12 products in 1998 that presented a substantial risk of head injury. In 2001, CPSC will increase the number of these recalls or corrective actions to 15.

Bioterrorism: HHS' Office of Emergency Preparedness will work with localities to establish 25 new Metropolitan Medical Response Systems, which develop and link local public health, public safety, and health services capabilities to respond to a chemical/biological/nuclear terrorist incident, for a total of 97 systems in various stages of development by the end of 2001.

HHS' Response to the HIV/AIDS Epidemic: Since 1993, HHS has taken significant steps to prevent the spread of AIDS and provide appropriate treatment to those living with HIV/AIDS. In 2000, the Administration established a new initiative to stem the rising tide of HIV/AIDS internationally: this is being expanded in 2001. HRSA's Ryan White CARE Act and the Centers for Disease Control and Prevention (CDC) efforts have successfully decreased the rate of newly reported HIV/AIDS cases in children due to perinatal transmission by 73 percent from 1992 to 1998.

- CDC financed prevention activities will reduce the actual incidence of new HIV infections in the United States five percent by the end of 2001 from the 1999 level of 40,000 new HIV infections.
- Working with other countries, USAID and international and U.S. government agencies, CDC will reduce the number of new infections among 15 to 24 year-olds in sub-Saharan Africa from an estimated two million, by 25 percent by 2005.
- HRSA will increase the number of AIDS Drug Assistance Program (ADAP) clients receiving appropriate anti-retroviral therapy (consistent with clinical guidelines) through State ADAPs during at least one month of the year, to a projected monthly average of 84,500 by 2001. This would constitute a 31-percent increase over the 1999 baseline of 64,500.

Health Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. In 1999, NIH-supported research led to numerous scientific advances in the prevention and treatment of disease and disability. For example, scientists demonstrated the safety and effectiveness of the anti-AIDS viral drug nevirapine for preventing mother-to-child transmission of HIV. Nevirapine is 70 times less expensive and much easier to administer than AZT, the standard of care in the United States. It offers new hope for reducing maternal-child HIV transmission in developing countries and may be useful for further reducing mother-to-child transmission of AIDS in the U.S. NIH performance goals include:

- Increasing the pace and progress of genome sequencing by completing one-third of the human genome sequence with 99.9 percent accuracy by the end of 2001; by 1999, 442 million base pairs, roughly 15 percent, of the human genome sequence had been completed.

- Developing by the end of 2001 a comprehensive, public database of Federally and privately-sponsored clinical trials for serious or life threatening diseases to ensure that patients, providers, and researchers have access to and are aware of cutting-edge and potentially lifesaving therapies.

Additionally, NIH continues to lead the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Health Informatics Initiative: The budget includes a new investment in Health Informatics (HI) to allow HHS to improve integration of the broad range of available health information and data. The HI Initiative will also allow HHS to take a leadership role in the establishment of health data standards to improve the uniformity and ease of transmission of healthcare data while strengthening the confidentiality of health information. The ultimate goal of the initiative is to improve patient care and health outcomes through the efficient and effective use of health informatics data. This initiative will complement the initiative to reduce medical errors mentioned in Chapter 3, "Strengthening Health Care."

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends over \$1 billion a year to promote public health by ensuring that foods, drugs, biological products, and medical devices are safe. It leads Federal efforts to review new products and ensure that regulations enhance public health without unnecessary burden. The FDA also supports important research and consumer education.

To allow innovative new drugs, medical devices, and other products to be made available to the public more quickly, the FDA has set the following performance goals for 2001:

- review and act on 90 percent of standard original new drug application submissions within a year of submission, while handling a new drug application workload that grows annually;
- complete first action on 90 percent of new medical device applications (known as pre-market applications) within 180 days, compared to 79 percent in 1998; and,

- complete first action on 50 percent of food and color additive petitions within a year of submission, compared to the goal of 30 percent in 1999.

The Food Safety and Inspection Service (FSIS) in the U.S. Department of Agriculture spends \$650 million annually to inspect the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. In 1996, FSIS began implementing a modernized inspection system, Hazard Analysis and Critical Control Point (HACCP) system, that has begun shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. USDA and HHS have the following food safety goals:

- By 2001, 99 percent of federally-inspected meat and poultry plants will comply with the HACCP system;
- Currently, approximately 45–50 percent of high-risk domestic food establishments are inspected annually. FDA will increase this coverage rate to 100 percent;
- CDC will expand State health department capacity to subtype DNA and rapidly exchange information using PulseNet for *E.coli* and *Salmonella Typhimurium*, from 40 labs each in 2000 to 45 labs each by 2001, and for *Listeria* from 20 labs in 2000 to 30 labs by 2001.

Workplace Safety and Health

The Federal Government spends approximately \$620 million a year to promote safe and healthy conditions for over 100 million workers in six million workplaces, mainly through the Department of Labor's (DOL) Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Through a combination of enforcement, compliance assistance, and regulatory approaches, these agencies protect workers from illness, injury, and death caused by occupational exposure to hazardous substances and conditions. According to 1998 DOL data, occupational fatalities and injuries and illness have fallen to the lowest level on record.

- In 2001, OSHA will: (1) reduce injury/illness rates 20 percent in at least 75,000

of the most hazardous workplaces where the agency initiates an intervention; (2) reduce injuries and illnesses by 15 percent at work sites engaged in voluntary, cooperative relationships with OSHA; and (3) initiate an investigation of 95 percent of worker complaints within one working day or conduct an on-site inspection within five working days.

- In 2001, MSHA will reduce fatalities and lost-workday injuries in all mines to below the average number recorded for the previous five years. From 1994 to 1998, there was an average of 92 fatalities and 4.07 lost-workday injuries.

These efforts are complemented by an additional \$10 million in HHS to fund worker safety research at the Agency for Healthcare Research and Quality.

Federal Employees Health Benefits Program (FEHBP)

Established in 1960 and administered by the Office of Personnel Management (OPM), the FEHBP is America's largest employer-sponsored health benefit program, providing over \$18 billion in health care benefits a year to about nine million Federal workers, annuitants, and their dependents. About 85 percent of all Federal employees participate in the FEHBP, and they select from about 300 health plans.

Since 1993, OPM has made improvements in the quality and quantity of health plan information provided to enrollees, consumer protections, and the scope of health benefits covered by the program. In 1993, the annual health benefits open season guide provided program enrollees little more than cost information regarding the program's participating carriers. By 1999, these materials had been enhanced to provide accreditation, performance, and customer satisfaction information in plain language consumers can easily understand. Between 1993 and 1999, FEHBP benefits were expanded to provide coverage for bone marrow transplants, breast reconstructive

surgery, contraceptives, and guaranteed length of stay for maternity and mastectomy.

In 2000, the FEHBP became fully compliant with the President's Patients' Bill of Rights, providing enrollees even stronger rights of information disclosure, choice of providers and plans, rights of complaint and appeal, and other consumer protections.

In 2001, OPM will increase the number of plans in the FEHBP with above average customer satisfaction ratings to 40 percent, an increase over the 33 percent so rated in 1998. In addition, the FEHBP's benefit structure will provide parity in the provision of mental health and substance abuse benefits and FEHBP carriers will institute initiatives to improve health care quality through the prevention of medical errors and enhancements in patient safety.

In addition, the Administration will propose legislation that will help control the future rate of growth of FEHBP premiums by leveraging the purchasing power of the federal government. If enacted, this initiative will enable OPM to develop a comprehensive dental insurance benefit that would be available to Federal employees, annuitants, and their families.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (60 percent in 2000, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expenditures, including other provisions, will reach an estimated \$95 billion in 2001, and \$540 billion from 2001 to 2005. The exclusion for employer-provided insurance and related benefits (including deductions by the self-employed) accounts for most of these costs (\$81 billion in 2001 and \$456 billion from 2001 to 2005).